



FOR IMMEDIATE RELEASE

DRAGONWAVE PROVIDES BUSINESS UPDATE AND ANNOUNCES Q1 FISCAL 2010 RESULTS

Record Revenues; 49% growth over prior year and 41% sequentially

FY2010 revenue outlook strengthening

DragonWave selected by Globalive for 3G network build in Canada

Ottawa, Canada, July 14, 2009 - DragonWave Inc. (TSX: DWI), a leading global supplier of next-generation wireless networks, today provided a business update and issued financial results for its first quarter fiscal year 2010. All figures are prepared in accordance with Canadian generally accepted accounting principles (GAAP) and are reported in Canadian dollars.

To the extent that this news release contains forward-looking statements or forward-looking information, readers are cautioned that these are based on DragonWave's current views, and actual outcomes are not certain. For more information, see the note on forward-looking statements below.

Business Update

As part of the announcement of the annual results for our 2009 fiscal year (FY2009), we indicated that our current fiscal year (FY2010) will be a breakout year for DragonWave and that we expect to operate profitably in the year. We also indicated that we expected to show sequential quarterly revenue growth over Q4 of FY2009.

Developments in Q1 and Q2 continue to support these expectations as well as additional progress:

- Our Q1 FY2010 revenues were \$16.0M, representing growth of 41% over Q4 FY2009 and 49% over Q1 of FY2009. This represents a record for DragonWave in terms of quarterly revenue. We continue to receive a strong level of orders and whilst there is a range of possible outcomes we expect that our revenue will approximately sequentially double in Q2 FY2010 over Q1 FY2010.
- Our revenue for the full year FY2010 is currently expected to be \$100M.
- Last Friday, we announced that DragonWave had been selected as a backhaul vendor by Globalive for its 3G network build across Canada.



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"Our first quarter results are extremely pleasing with strong growth in both North America and EMEA. Our overall growth will accelerate as we move through Q2" said Peter Allen, President and Chief Executive Officer. "DragonWave is making strides on multiple fronts".

Financial Results

Revenue for the quarter was \$16.0 million, compared with \$10.7 million for the same period of the last fiscal year, an increase of 49%. While there was growth in demand from a variety of customers globally, the most significant increase came from the company's existing major North American based customer, which accounted for 52% of revenue in the quarter.

Revenue from customers within North America increased from \$8.0 million in the first quarter of the previous year to \$12.9 million and represented 80% of total revenue for the quarter. Revenue from outside North America increased as well, growing from \$2.7 million to \$3.1 million and represented 20% of total revenue for the quarter.

Gross margin for the first quarter was 35%, a decrease from the gross margin reported in the first quarter of fiscal 2009, and represents a gross margin level consistent with both the third and fourth quarters of the previous year.

For the first quarter of fiscal year 2009, the loss from operations narrowed to \$1.2 million, compared to a loss of \$2.5 million in the first quarter of FY2009. Expenses decreased from \$6.8 million to \$6.7 million. The net loss for the quarter was \$2.9 million versus \$1.9 million and included a foreign exchange loss of \$1.7 million.



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The DragonWave management team will discuss the results on a conference call July 15, 2009 at 8:30 a.m. Eastern time (1:30 GMT).

Presentation material and a webcast link will be made available from the Investor Relations portal of DragonWave's web site at <http://www.dragonwaveinc.com/irevents.asp>

Conference Call Details:
Beginning at 8:30 a.m., EDT

Toronto Dial In Number:	416-883-7132
Ottawa Dial In Number:	613-212-0152
Toll Free Dial In Number:	1-888-205-4499
Europe Dial In Number:	00-800-8358-7000
Participant Pass Code:	37041#

A replay of the call will be made available on the DragonWave Inc. web site, through the Investor Relations portal.

To review financial statements and Management's Discussion and Analysis for the quarter, please go to www.sedar.com.

About DragonWave

DragonWave™ is a leading provider of high-capacity wireless Ethernet equipment used in emerging IP networks. DragonWave designs, develops, and markets carrier-grade microwave radio frequency networking equipment that wirelessly transmit broadband voice, video and other data. DragonWave's wireless Ethernet products, which are based on a native Ethernet platform, function as a wireless extension to an existing fibre-optic core telecommunications network. The principal application for DragonWave's products is the backhaul function in a wireless communications network. Additional applications for DragonWave's products include point-to-point transport in private networks, including municipal and enterprise networks. DragonWave's corporate headquarters is located in Ottawa, Ontario, with sales locations in Europe, Middle East and North America. The company's Web site is <http://www.dragonwaveinc.com>



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FORWARD-LOOKING STATEMENTS

Certain statements in this release, including estimates of future revenues and earnings provided in the business update above, constitute forward-looking statements or forward-looking information within the meaning of applicable securities laws. These statements are subject to certain assumptions, risks and uncertainties. Material factors and assumptions used to develop the estimates in the business update include DragonWave's expectations regarding future network deployment plans by its existing customers, volume of anticipated order activity, the capacity of DragonWave's supply chain to scale to fulfil demand, and DragonWave's ability to control costs associated with increased sales. Readers are cautioned not to place undue reliance on such statements.

These statements are provided to enable external stakeholders to understand DragonWave's expectations as of the date of this release and may not be appropriate for other purposes.

Risk factors that may cause the actual results, performance, achievements or developments of DragonWave to differ materially from the results, performance, achievements or developments expressed or implied by such statements can be found in the public documents filed by DragonWave with Canadian securities regulatory authorities and include the following:

- DragonWave relies on a small number of customers for a large percentage of its revenue.
- DragonWave's growth is dependent on the development and growth of the market for broadband wireless access.
- DragonWave faces intense competition from several competitors and if it does not compete effectively with these competitors, its revenues may not grow and could decline. DragonWave also faces competition from indirect competitors.
- DragonWave's success depends on its ability to develop new products and enhance existing products.
- If DragonWave is required to change its pricing models to compete successfully, its margins and operating results may be adversely affected.
- DragonWave's ability to sell products and services is dependent upon it establishing and maintaining relationships with channel partners.
- DragonWave's quarterly revenue and operating results can be difficult to predict and can fluctuate substantially.
- DragonWave has a lengthy and variable sales cycle.

Additional risks are described in DragonWave's Annual Information Form which is available on www.sedar.com.



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DragonWave assumes no obligation to update or revise any forward-looking statements or forward-looking information, whether as a result of new information, future events or otherwise, except as expressly required by law.

For further information, please contact:

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DRAGONWAVE PROVIDES BUSINESS UPDATE AND ANNOUNCES Q1 FISCAL 2010 RESULTS

CONSOLIDATED BALANCE SHEETS

Unaudited - Expressed in Cdn \$000's

	As at May 31, 2009	As at February 28, 2009
	\$	\$
Assets		
Current Assets		
Cash and cash equivalents	21,975	8,504
Short-term investments	—	14,994
Accounts receivable	11,258	10,523
Other receivables	640	720
Inventory	12,533	14,238
Prepaid expenses	447	173
	46,853	49,152
Property and equipment	2,965	2,676
	2,965	2,676
Total Assets	49,818	51,828
Liabilities		
Current Liabilities		
Line of credit	586	641
Accounts payable and accrued liabilities	6,681	5,677
Deferred revenue	1,886	2,215
	9,153	8,533
Commitments		
Shareholders' equity		
Capital stock	119,936	119,925
Contributed surplus	1,472	1,230
Deficit	(80,743)	(77,860)
	40,665	43,295
Total Liabilities and Shareholders' Equity	49,818	51,828



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CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT

Unaudited - Expressed in Cdn \$000's except share and per share amounts

	Three months ended	
	May 31, 2009	May 31, 2008
	\$	\$
REVENUE	15,950	10,725
Cost of sales	10,440	6,344
Gross profit	5,510	4,381
EXPENSES		
Research and development	3,024	3,131
Selling and marketing	2,539	2,624
General and administrative	1,231	1,130
Investment tax credits	(60)	(50)
	6,734	6,835
Loss from operations	(1,224)	(2,454)
Interest income	34	254
Interest expense	(7)	(9)
Foreign exchange gain (loss)	(1,686)	268
Loss before income taxes	(2,883)	(1,941)
Income taxes	—	—
Net and comprehensive loss	(2,883)	(1,941)
Deficit, beginning of period	(77,860)	(71,871)
Deficit, end of period	(80,743)	(73,812)
Loss per share		
Basic and fully diluted	(0.10)	(0.07)
Basic and diluted weighted average number of shares outstanding	28,569,238	28,480,522



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CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited - Expressed in Cdn \$000's except share and per share amounts

	Three months ended	
	May 31, 2009	May 31, 2008
	\$	\$
Cash and cash equivalents provided by (used in)		
Operating Activities		
Net loss	(2,883)	(1,941)
Items not affecting cash		
Depreciation	303	235
Stock-based compensation	242	145
Warrant expense	—	11
Unrealized foreign exchange loss	1,032	60
Accrued interest on fair value of short-term investments	—	150
	(1,306)	(1,340)
 Changes in non-cash working capital items	1,451	(740)
	145	(2,080)
 Investing Activities		
Acquisition of property and equipment	(592)	(323)
Maturity of short-term investments	14,994	31,758
	14,402	31,435
 Financing Activities		
Change in line of credit	(55)	4
Exercise of warrants	—	152
Issuance of common stock net of stock issuance costs	11	—
	(44)	156
 Effect of foreign exchange on cash and cash equivalents	(1,032)	(60)
 Net increase in cash and cash equivalents	13,471	29,451
Cash and cash equivalents at beginning of period	8,504	1,551
Cash and cash equivalents at end of period	21,975	31,002